

**CAPITAL AREA LEGAL SERVICES CORPORATION****FINANCIAL REPORT****DECEMBER 31, 2004****RECIPIENT NO. 619010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-6-05

CAPITAL AREA LEGAL SERVICES CORPORATION

RECIPIENT NO. 619010

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position	4 and 5
Statements of activities	6
Statement of functional expenses	8 - 11
Statements of cash flows	12
Notes to financial statements	13 - 24
SUPPLEMENTARY INFORMATION	
Schedule of revenues, support, and expenses -	
Legal Service Corporation - Basic Field - General	26
Schedule of grant award expended	
Louisiana Bar Foundation - IOLTA Grant	27
Schedule of expenditures of federal awards	28
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	29 and 30
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	31 and 32
Schedule of findings and questioned costs	33 and 34
Schedule of prior year findings	35



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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Capital Area Legal Services Corporation (a nonprofit organization) as of December 31, 2004 and 2003, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Legal Services Corporation as of December 31, 2004 and 2003, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2005, on our consideration of Capital Area Legal Services Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Capital Area Legal Services Corporation taken as a whole. The accompanying schedules listed in the table of contents, including the schedule of expenditures of Federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Broussard, Poche, Lewis & Breaux LLP*

Lafayette, Louisiana  
March 3, 2005

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CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF FINANCIAL POSITION  
December 31, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 42,869	\$ 103,144
Grants and contracts receivable	11,533	13,977
Rent receivable	8,649	3,045
Pledges receivable	-	8,937
Other current receivables	5,181	4,910
Prepaid expenses	<u>15,927</u>	<u>11,340</u>
Total current assets	<u>\$ 84,159</u>	<u>\$ 145,353</u>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents:		
Client trust accounts	\$ 61,839	\$ 61,329
Other assets:		
Deposit held in escrow	<u>225,000</u>	<u>-</u>
Total restricted assets	<u>\$ 286,839</u>	<u>\$ 61,329</u>
<b>NONCURRENT ASSETS</b>		
Utility deposits	<u>\$ 253</u>	<u>\$ 253</u>
<b>FIXED ASSETS</b> , at cost, net of accumulated depreciation of \$314,793 and \$326,907, respectively	<u>\$ 498,720</u>	<u>\$ 530,921</u>
Total assets	<u>\$ 869,970</u>	<u>\$ 737,856</u>

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 7,356	\$ 30,487
Accrued liabilities	7,346	5,115
Accrued annual leave	37,080	37,080
Deferred revenue	37,500	59,539
Notes payable - current portion	<u>114,811</u>	<u>84,140</u>
Total current liabilities (payable from current assets)	<u>\$ 204,092</u>	<u>\$ 216,361</u>
CURRENT LIABILITIES (payable from restricted assets)		
Client trust deposits:		
Active	\$ 18,738	\$ 35,598
Inactive	43,101	25,731
Refundable state funds	<u>225,000</u>	<u>-</u>
Total current liabilities (payable from restricted assets)	<u>\$ 286,839</u>	<u>\$ 61,329</u>
LONG-TERM LIABILITIES		
Notes payable - long-term portion	<u>\$ 402,837</u>	<u>\$ 420,812</u>
Total liabilities	<u>\$ 893,768</u>	<u>\$ 698,502</u>
NET ASSETS		
Temporarily restricted	<u>\$ (23,798)</u>	<u>\$ 39,354</u>
Total liabilities and net assets	<u>\$ 869,970</u>	<u>\$ 737,856</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF ACTIVITIES  
Years Ending December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Changes in temporarily restricted net assets:		
Revenues and support -		
Grants and contracts	\$ 1,926,906	\$ 1,842,042
Contributions	6,652	7,266
Fees	42,649	29,317
Donated services	42,588	35,084
Other	51,660	72,109
Net assets (released) from restriction	<u>(2,133,607)</u>	<u>(2,060,603)</u>
Change in temporarily restricted net assets	\$ <u>(63,152)</u>	\$ <u>(74,785)</u>
Changes in unrestricted net assets:		
Net assets released from restrictions	<u>\$ 2,133,607</u>	<u>\$ 2,060,603</u>
Program expenses -		
Legal services:		
LSC	\$ 1,285,385	\$ 1,261,449
Non-LSC	333,751	342,410
Elderly protective services	151,344	153,403
Parental involvement	<u>25,313</u>	<u>-</u>
Total program expenses	<u>\$ 1,795,793</u>	<u>\$ 1,757,262</u>
Supporting expenses:		
Administrative	\$ 334,731	\$ 301,846
Other expenses	<u>3,083</u>	<u>1,495</u>
Total supporting expenses	<u>\$ 337,814</u>	<u>\$ 303,341</u>
Total expenses	<u>\$ 2,133,607</u>	<u>\$ 2,060,603</u>
Change in unrestricted net assets	<u>\$ -0-</u>	<u>\$ -0-</u>
Total change in net assets	\$ (63,152)	\$ (74,785)
Net assets, beginning	<u>39,354</u>	<u>114,139</u>
Net assets, ending	<u>\$ (23,798)</u>	<u>\$ 39,354</u>

See Notes to Financial Statements.



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CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ending December 31, 2004

	<u>Legal Services</u>		<u>Elderly</u>
	<u>LSC</u>	<u>Non-LSC</u>	<u>Protective</u>
			<u>Services</u>
Salaries and wages:			
Lawyers	\$ 319,955	\$ 35,054	\$ 5,130
Non-lawyers	355,689	96,970	92,048
Employee benefits	134,606	31,472	25,180
Space cost and maintenance	66,652	52,303	5,400
Equipment rentals and maintenance	55,680	302	484
Office supplies and expenses	36,016	230	2,120
Travel and training	46,974	11,595	9,555
Utilities	31,738	691	-
Telephone	46,624	469	4,580
Insurance	18,489	1,972	1,500
Depreciation	-	27,775	-
Donated services	-	42,588	-
Contract services	95,504	3,020	-
Membership fees	3,080	8,552	-
Litigation costs	310	2,004	-
Baton Rouge Bar Subgrant	38,000	-	-
Interest expense	-	-	-
Property management fees	-	-	-
Other supplies	1,892	86	382
Access to justice	-	4,515	-
Staff parking	12,854	3,240	3,020
Audit fees	14,300	5,100	1,900
Miscellaneous	7,022	5,833	45
	<u>\$1,285,385</u>	<u>\$ 333,751</u>	<u>\$ 151,344</u>

<u>Parental Involvement</u>	<u>Administrative</u>	<u>Other</u>	<u>Total</u>
\$ 20,577	\$ 97,033	\$ -	\$ 477,749
2,937	139,030	-	686,674
1,799	49,082	-	242,139
-	-	-	124,355
-	-	-	56,466
-	-	-	38,366
-	-	431	68,555
-	-	-	32,429
-	-	-	51,673
-	-	-	21,961
-	5,807	-	33,562
-	-	-	42,588
-	-	-	98,524
-	-	-	11,632
-	-	-	2,314
-	-	-	38,000
-	38,929	-	38,929
-	4,850	-	4,850
-	-	-	2,360
-	-	-	4,515
-	-	3	19,117
-	-	-	21,300
-	-	2,649	15,549
<u>\$ 25,313</u>	<u>\$ 334,731</u>	<u>\$ 3,083</u>	<u>\$2,133,607</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ending December 31, 2003

	Legal Services		Elderly
	LSC	Non-LSC	Protective Services
Salaries and wages:			
Lawyers	\$ 345,595	\$ 31,806	\$ 8,960
Non-lawyers	345,691	96,720	90,878
Employee benefits	156,548	17,733	26,735
Space cost and maintenance	68,928	53,369	5,400
Equipment rentals and maintenance	46,976	23	322
Office supplies and expenses	34,900	6	4,393
Travel and training	30,094	11,143	5,620
Utilities	30,261	1,490	30
Telephone	46,307	1,229	4,445
Insurance	17,382	5,657	1,500
Depreciation	-	27,812	-
Donated services	-	35,084	-
Contract services	53,728	19,971	-
Membership fees	2,245	7,505	-
Litigation costs	1,091	1,512	-
Baton Rouge Bar Subgrant	38,000	-	-
LA Justice Community expenses	-	12,865	-
Interest expense	-	-	-
Property management fees	-	-	-
Other supplies	6,131	-	820
Access to justice	-	4,515	-
Staff parking	12,000	2,457	2,400
Audit fees	13,950	3,650	1,900
Fundraising expenses	26	-	-
Miscellaneous	11,596	7,863	-
	<u>\$1,261,449</u>	<u>\$ 342,410</u>	<u>\$ 153,403</u>

<u>Parental Involvement</u>	<u>Administrative</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ 79,793	\$ -	\$ 466,154
-	134,248	-	667,537
-	36,435	-	237,451
-	-	-	127,697
-	-	-	47,321
-	-	14	39,313
-	-	-	46,857
-	-	-	31,781
-	-	-	51,981
-	-	-	24,539
-	5,807	-	33,619
-	-	-	35,084
-	-	-	73,699
-	-	-	9,750
-	-	-	2,603
-	-	-	38,000
-	-	-	12,865
-	37,163	-	37,163
-	8,400	-	8,400
-	-	-	6,951
-	-	-	4,515
-	-	-	16,857
-	-	-	19,500
-	-	1,067	1,093
-	-	414	19,873
<u>\$ -0-</u>	<u>\$ 301,846</u>	<u>\$ 1,495</u>	<u>\$2,060,603</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF CASH FLOWS  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (63,152)	\$ (74,785)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	33,562	33,619
Changes in assets and liabilities -		
(Increase) decrease in assets:		
Grants and contracts receivable	2,444	(7,002)
Rent receivable	(5,604)	2,809
Pledges receivable	8,937	8,593
Other current receivables	(271)	4,030
Prepaid expenses	(4,587)	1,205
Cash restricted for client trusts	(510)	1,212
Deposits held in escrow	(225,000)	-
Increase (decrease) in liabilities:		
Accounts payable	(23,131)	15,118
Accrued liabilities	2,231	(2,516)
Deferred revenue	(22,039)	59,078
Client trust deposits	510	(1,212)
Refundable state deposit	225,000	-
Net cash provided by (used) by operating activities	<u>\$ (71,610)</u>	<u>\$ 40,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of fixed assets	<u>\$ (1,361)</u>	<u>\$ -0-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of debt	\$ 29,138	\$ 66,247
Principal payments on long-term debt	<u>(16,442)</u>	<u>(41,611)</u>
Net cash provided (used) by financing activities	<u>\$ 12,696</u>	<u>\$ 24,636</u>
Net increase (decrease) in cash and cash equivalents	\$ (60,275)	\$ 64,785
Cash at beginning of year	<u>103,144</u>	<u>38,359</u>
Cash at end of year	<u>\$ 42,869</u>	<u>\$ 103,144</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	<u>\$ 38,929</u>	<u>\$ 37,164</u>

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Capital Area Legal Services Corporation (the "Corporation") is a nonprofit organization created in 1974 to provide legal assistance in non-criminal proceedings or matters to persons financially unable to afford such counsel. The Corporation is funded primarily by Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. The Corporation provides legal assistance to residents in the following parishes in the State of Louisiana: Ascension, Assumption, East Baton Rouge, East Feliciana, Iberville, LaFourche, Pointe Coupee, St. Charles, St. James, St. John the Baptist, Terrebonne, and West Feliciana Parishes. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America and the requirements of Legal Services Corporation. The more significant accounting policies of the Corporation are described below:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation:

The Corporation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All support reported in the Corporation's financial statements are classified as temporarily restricted.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### Cash and cash equivalents:

For reporting purposes, the Corporation considers all highly liquid investment securities purchased with an original maturity of three months or less to be cash equivalents.

### Client trust escrow funds:

Funds received from clients are deposited into a separate cash account and restricted for the payment of expenses in connection with related litigation.

### Fixed assets:

Fixed assets are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The following is a summary of the estimated useful lives used:

	<u>Years</u>
Buildings and improvements	40
Furniture and equipment	3 - 10
Library	5

### Compensated absences:

Full time employees earn vacation leave at a rate of 10 hours per month. Employees with three to five years of service earn 12 hours per month and employees with five or more years of service earn 14 hours per month of vacation leave. Maximum annual leave that can be carried over to subsequent years is 80 hours. Accrued annual leave at December 31, 2004 and 2003 totaled \$37,080.

### Deferred revenue:

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.



## NOTES TO FINANCIAL STATEMENTS

### Support:

The Corporation recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with LSC regulations, the Corporation may retain unexpended grant funds for use in future periods provided such funds are not in excess of 10% of the recipient's annualized funding and expenses incurred are in compliance with the specified terms of the grant agreement. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance on behalf of the Corporation with the terms of the grant agreement. In addition, should the Corporation terminate its legal assistance activities, all unexpended funds are to be returned to LSC.

Capital Area Legal Services Corporation received funding from the following Council on Aging Agencies: Capital Area Agency on Aging, Inc., East Baton Rouge Council on Aging, Inc., LaFourche Council on Aging, Inc., St. Charles Council on Aging, Inc., St. James Area Agency on Aging, St. John Council on Aging, Inc., and Terrebonne Council on Aging, Inc. to provide legal services to elderly citizens under Title III of the Older Americans' Act of 1965.

The Corporation also received funds from the following governmental entities: Ascension Parish Government, Assumption Parish Police Jury, City of Baton Rouge - Parish of East Baton Rouge, Iberville Parish Government, Pointe Coupee Parish Police Jury, St. James Parish Government, St. John the Baptist Parish Government, Terrebonne Parish Consolidated Government, and West Feliciana Parish Police Jury to provide civil legal services to low-income and elderly citizens.

The Corporation also received funds from the following:

- Louisiana Bar Foundation, Interest on Lawyers Trust Accounts (IOLTA) Program - to provide free legal assistance in civil matters according to the eligibility standards approved by the Board of Directors in accordance with LSC regulations.
- State of Louisiana, Governor's Office of Elderly Affairs, Elderly Protective Services Program - to provide legal services to citizens under elderly protective services.
- State of Louisiana, Department of Justice - to provide civil legal services for the poor.

## NOTES TO FINANCIAL STATEMENTS

### Contributions:

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period.

### Income taxes:

Capital Area Legal Services Corporation is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Corporation has been classified as an organization that is not a private foundation under Section 509(a) (2).

### Private attorney involvement (PAI):

Legal Services Corporation requires that an amount equal to 12.5% of the basic field award of recipients be devoted to the involvement of private attorneys in the delivery of legal assistance to eligible clients. During 2004, Capital Area Legal Services Corporation was granted a waiver from the 12.5% by Legal Services Corporation reducing the required 12.5% devotion to 10.26%. Expenses incurred in PAI include all expenses directly related to private attorney involvement as well as an allocation of indirect (overhead) expenses. In general, indirect (overhead) expenses are allocated based on the ratio of direct PAI salary costs in relation to total salary costs of all attorneys, paralegals, and support staff.

### Reclassifications:

Certain reclassifications have been made to the 2003 financial statements to be consistent with the 2004 presentation. These reclassifications did not effect total net assets or changes in net assets as previously stated.

### Note 2. Cash and Cash Equivalents

At December 31, 2004, the carrying amount of the Corporation's deposits totaled \$329,282. Bank balances are fully covered by Federal Deposit Insurance Corporation (FDIC) coverage and collateral held by the custodial bank in the bank's name.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Deposit Held in Escrow

The State of Louisiana Department of Justice inadvertently issued an award in the amount of \$300,000 for professional services provided by Capital Area Legal Services Corporation. The actual honored contract payment was \$75,000; as such, Capital Area Legal Services Corporation is holding the remaining \$225,000 of state funds in a separate trust account until remittance to the state can be made. A liability for this amount has been recognized within the financial statements.

### Note 4. Grants and Contracts Receivable

Grants and contracts receivable at December 31, 2004 and 2003, respectively, consisted of the following:

	<u>2004</u>	<u>2003</u>
Ascension Parish Government	\$ 2,250	\$ 2,250
Assumption Parish Police Jury	1,050	1,050
Terrebonne Parish Consolidated Government	5,189	5,189
Capital Area Agency on Aging, Inc.	450	915
East Baton Rouge Council on Aging, Inc.	1,220	3,661
St. James Area Agency on Aging	-	125
St. John Council on Aging, Inc.	-	787
East Baton Rouge City Courts	<u>1,374</u>	<u>-</u>
Total grants and contracts receivable	<u>\$ 11,533</u>	<u>\$ 13,977</u>

### Note 5. Unconditional Promises to Give

Pledges receivable represent promises to give which have been made by donors but not yet received by the Corporation. Pledges that will be received in the subsequent year have been discounted using an estimated rate of return that could be earned if such contributions had been made in the current year.

Unconditional promises to give at December 31, 2004 and 2003, respectively, consisted of the following:

	<u>2004</u>	<u>2003</u>
Pledges receivable	\$ 1,999	\$ 11,742
Less: allowance for estimated uncollectibles	<u>(1,999)</u>	<u>(2,805)</u>
Net pledges receivable	<u>\$ -0-</u>	<u>\$ 8,937</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Rental Property

In 2001, the Corporation purchased an office building in Gonzales, Louisiana. The Corporation uses approximately 17% of the building to provide legal services to the residents of Ascension, Assumption, St. James, and St. John the Baptist Parishes and leased out approximately 83% of the building to three businesses during a portion of 2004 and all of 2003 as follows:

- Lessee 1: \$800 per month for the period January 16, 2004 - January 15, 2005.
- Lessee 2: \$1,440 per month on a month-to-month basis.
- Lessee 3: \$1,500 per month on a month-to-month basis.

Total rental income recognized for the years ended December 31, 2004 and 2003 totaled \$49,686 and \$51,921, respectively. Rental income receivable at December 31, 2004 totaled \$8,649.

As of December 31, 2004, the Corporation no longer had any tenants remaining in this building and was considering selling the property.

### Note 7. Fixed Assets

Fixed assets, including a legal library, are considered owned by the Corporation while in use by the program or in future authorized programs. However, certain funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. Legal Services Corporation has a reversionary interest in those fixed assets purchased with LSC funds. Fixed assets are recorded at cost and depreciation is computed on a straight-line basis over the useful lives of the assets. A summary of fixed assets is as follows:

	<u>2004</u>	<u>2003</u>
Buildings and improvements	\$ 513,167	\$ 513,167
Furniture and equipment	261,789	306,104
Library	<u>38,557</u>	<u>38,557</u>
Total fixed assets	\$ 813,513	\$ 857,828
Less: accumulated depreciation	<u>(314,793)</u>	<u>(326,907)</u>
Net fixed assets	<u>\$ 498,720</u>	<u>\$ 530,921</u>

Depreciation expense for the years ended December 31, 2004 and 2003 totaled \$33,562 and \$33,619, respectively. Of the total assets, \$30,547 of assets was acquired in prior years through capital leases, which depreciation expense had been recognized in the amount of \$30,547 through December 31, 2004 and 2003.

# NOTES TO FINANCIAL STATEMENTS

## Note 8. Summary of Funding

The following details the funding of the Corporation for the year ended December 31, 2004:

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Legal Services Corporation:		
Basic Field - General Grant	01/01/04 - 12/31/04	<u>\$1,337,069</u>
Louisiana Bar Foundation:		
IOLTA Grant	01/01/04 - 12/31/04	<u>\$ 121,339</u>
State of Louisiana, Governor's Office of Elderly Affairs, Elderly Protective Services Program:		
2003 - 2004 Grant	07/01/03 - 06/30/04	\$ 74,478
2004 - 2005 Grant	07/01/04 - 06/30/05	74,100
Professional services contract	07/01/03 - 06/30/04	<u>3,354</u>
		<u>\$ 151,932</u>
Capital Area Agency on Aging, Inc.:		
2003 - 2004 Grant	07/01/03 - 06/30/04	\$ 2,710
2004 - 2005 Grant	07/01/04 - 06/30/05	<u>15,221</u>
		<u>\$ 17,931</u>
East Baton Rouge Parish Council on Aging, Inc.	07/01/04 - 06/30/05	<u>\$ 14,645</u>
LaFourche Council on Aging, Inc.:		
2003 - 2004 Grant	07/01/03 - 06/30/04	\$ 2,536
2004 - 2005 Grant	07/01/04 - 06/30/05	<u>2,362</u>
		<u>\$ 4,898</u>
St. Charles Council on Aging, Inc.	07/01/03 - 06/30/04	<u>\$ 1,800</u>
St. James Area Agency on Aging:		
2004 - 2005 Grant	07/01/04 - 06/30/05	<u>\$ 1,500</u>
St. John Council on Aging, Inc.:		
2003 - 2007 Grant	07/01/03 - 06/30/07	<u>\$ 1,574</u>
Terrebonne Council on Aging, Inc.:		
2003 - 2004 Grant	07/01/03 - 06/30/04	\$ 2,764
2004 - 2005 Grant	07/01/04 - 06/30/05	<u>2,544</u>
		<u>\$ 5,308</u>
Ascension Parish Government	01/01/04 - 12/31/04	<u>\$ 15,000</u>

(continued)

# NOTES TO FINANCIAL STATEMENTS

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Assumption Parish Police Jury	01/01/04 - 12/31/04	\$ <u>4,200</u>
City of Baton Rouge - Parish of East Baton Rouge	01/01/04 - 12/31/04	\$ <u>39,290</u>
Iberville Parish Government	01/01/04 - 12/31/04	\$ <u>15,000</u>
Pointe Coupee Parish Police Jury	01/01/04 - 12/31/04	\$ <u>5,800</u>
St. James Parish Government	01/01/04 - 12/31/04	\$ <u>5,800</u>
St. John the Baptist Parish Government	01/01/04 - 12/31/04	\$ <u>5,000</u>
Terrebonne Parish Consolidated Government	01/01/04 - 12/31/04	\$ <u>15,000</u>
West Feliciana Parish Police Jury	01/01/04 - 12/31/04	\$ <u>6,030</u>
Entergy Charitable Foundation, Utility Advocacy Project	01/01/04 - 12/31/04	\$ <u>25,000</u>
State of Louisiana - Department of Social Services	01/01/04 - 12/31/04	\$ <u>26,440</u>
State of Louisiana - Department of Justice	07/01/04 - 06/30/05	\$ <u>97,039</u>
Southeast Louisiana Legal Services	03/01/04 - 12/31/04	\$ <u>4,450</u>
Other		\$ <u>4,861</u>
Total grants and contracts		\$ <u>1,926,906</u>
Other revenue sources		\$ <u>143,549</u>
Total support and revenues		\$ <u>2,070,455</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Lease of Facilities

The Corporation leases various buildings to serve as branch offices. For the years ended December 31, 2004 and 2003, the Corporation expended \$87,287 and \$84,682, respectively, on lease payments. The following details the written lease agreements in effect for the year ended December 31, 2004:

- Houma office: \$1,090 per month, automatically renews each year.
- Baton Rouge office: \$5,000 - \$5,849 per month for the period December 1, 2001 - November 30, 2006.

Minimum future lease payments required under the Baton Rouge office operating lease agreement for each of the next two years is as follows:

Years Ending  
December 31,

2005	\$ 67,717
2006	<u>64,342</u>
Total minimum future lease payments	<u>\$ 196,401</u>

### Note 10. Grants to Other Agencies

For the years ended December 31, 2004 and 2003, the Corporation granted \$38,000 of LSC funds to the Baton Rouge Bar Foundation. This subgrantee is a pro bono program, which uses the funds to provide civil legal services to low-income persons eligible for representation by the Corporation. As of December 31, 2004, this subgrantee had expended the entire 2004 grant award.

### Note 11. Donated Services

Donated services, meeting the criteria for recognition in accordance with generally accepted accounting principals, are recognized both as support and expense. Donated services recognized within the financial statements are valued at the rate normally charged for similar services in the surrounding area. All donated services are classified as non-LSC program expenses.

Donated services received for the years ended December 31, 2004 and 2003 totaled \$42,588 and \$35,084, respectively.

# NOTES TO FINANCIAL STATEMENTS

## Note 12. Notes Payable

Notes payable at December 31, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
Note payable, Whitney National Bank, 7.25% interest, secured by a mortgage on the Corporation's Gonzales building, note dated November 15, 2001, monthly principal and interest payments of \$3,187, final payment due November 15, 2006.	\$ 370,407	\$ 380,038
Note payable, Hibernia National Bank, 9.50% interest, secured by a mortgage on the Corporation's Donaldsonville building, note dated June 6, 2000, monthly principal and interest payments of \$1,015, final payment due June 6, 2010.	51,855	58,667
Note payable, Hancock Bank of Louisiana, 5.75% interest, secured by the Corporation's accounts receivable, note dated November 2, 2004, monthly principal and interest payments of \$3,455, final payment due November 15, 2005.	36,828	66,247
Line of credit, Hancock Bank of Louisiana, interest rate floating 2.0% points over the J.P. Morgan Chase and Company prime rate (7.0% at December 31, 2004), secured by the Corporation's accounts receivable, note dated November 30, 2004, due on demand, if no demand is made, one principal payment of \$58,557 due on November 30, 2005, monthly interest payments due beginning December 30, 2004.	<u>58,558</u>	<u>-</u>
Total notes payable	\$ 517,648	\$ 504,952
Less: current portion of notes payable	<u>(114,811)</u>	<u>(84,140)</u>
Long-term notes payable	<u>\$ 402,837</u>	<u>\$ 420,812</u>



## NOTES TO FINANCIAL STATEMENTS

Maturities of long-term notes payable for each of the next five years and in aggregate thereafter are as follows:

2005	\$ 114,811
2006	366,767
2007	9,104
2008	10,013
2009	11,029
2010 - 2011	<u>5,924</u>
Totals	<u>\$ 517,648</u>

Interest expense for the years ended December 31, 2004 and 2003 totaled \$38,929 and \$37,164, respectively.

### Note 13. Contingent Liabilities

A legal malpractice claim has been filed against the Corporation that alleges that the Corporation failed to properly represent a client. Counsel representing Capital Area Legal Services Corporation have taken the position that the plaintiff has no desire to pursue the claim since there has been no movement in the case since March 2000. As such, any estimate of possible loss related to this claim is consider to be small, however, an estimate of the possible loss or range of loss cannot be made.

### Note 14. Federal and State Grants

The Corporation participates in a number of Federal and State grant programs that are fully or partially funded by grants received from other governmental entities. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. It is possible that in the event of non-compliance with conditions of grants received, that the Corporation would have to refund to the granting agency those expenditures not deemed to be in compliance. However, management has no knowledge of any liability for refunds to any granting agencies as of December 31, 2004 and through the date of this report.

### Note 15. Deferred Compensation Plan

In 2002, the Corporation established a 401 (k) plan (the "Plan") for those employees who meet the eligibility requirements set forth in the Plan. The amount of contributions to the Plan is at the discretion of the Board of Directors; the Board of Directors has established a 3% employer matching contribution rate. The Corporation's matching contributions to the Plan for the years ended December 31, 2004 and 2003 totaled \$24,299 and \$23,545, respectively.

# NOTES TO FINANCIAL STATEMENTS

## Note 16. Temporarily Restricted Net Assets

As of December 31, 2004 and 2003, temporarily restricted net assets were as follows:

	<u>2004</u>	<u>2003</u>
Legal Services Corporation - operating	\$(184,687)	\$(103,510)
Property	76,457	92,216
Non-LSC (operating)	<u>84,432</u>	<u>50,648</u>
	<u>\$ (23,798)</u>	<u>\$ 39,354</u>

## Note 17. Concentrations

The Corporation receives a significant portion of its total support from granting agencies. In particular, Legal Service Corporation accounted for 65% and 70% of the total support of the Corporation in 2004 and 2003, respectively.

SUPPLEMENTARY INFORMATION

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF REVENUES, SUPPORT, AND EXPENSES  
LEGAL SERVICES CORPORATION - BASIC FIELD - GENERAL  
Year Ending December 31, 2004

	<u>General</u>	<u>Private Attorney Involvement</u>	<u>Total</u>
Revenues and support:			
Legal Services Corporation	\$1,169,901	\$ 167,168	\$1,337,069
Interest income	1,334	-	1,334
Miscellaneous income	<u>4,860</u>	<u>-</u>	<u>4,860</u>
Total revenue and support	<u>\$1,176,095</u>	<u>\$ 167,168</u>	<u>\$1,343,263</u>
Expenses:			
Salaries and wages -			
Lawyers	\$ 356,337	\$ 3,560	\$ 359,897
Non-lawyers	385,106	27,812	412,918
Employee benefits	147,708	7,102	154,810
Space cost and renovations	64,355	2,297	66,652
Equipment rentals and maintenance	54,398	1,282	55,680
Office supplies and expenses	35,232	784	36,016
Travel and training	40,496	6,656	47,152
Utilities	30,999	739	31,738
Telephone	45,759	866	46,624
Insurance	17,227	1,261	18,489
Depreciation	2,390	-	2,390
Donated services	-	-	-
Contract services	44,278	51,226	95,504
Membership fees	3,080	-	3,080
Litigation costs	310	-	310
Baton Rouge Bar Subgrant	-	38,000	38,000
LA Justice Community expenses	-	-	-
Interest expense	16,024	-	16,024
Property management fees	1,996	-	1,996
Other supplies	1,407	485	1,892
Access to justice	-	-	-
Staff parking	12,210	645	12,855
Audit fees	11,638	2,663	14,300
Fundraising expenses	-	-	-
Miscellaneous	<u>7,847</u>	<u>264</u>	<u>8,111</u>
Total expenses	<u>\$1,278,799</u>	<u>\$ 145,641</u>	<u>\$1,424,440</u>
Revenue and support net of expenses	<u>\$ (102,704)</u>	<u>\$ 21,527</u>	<u>\$ (81,177)</u>

CAPITAL AREA LEGAL SERVICE CORPORATION

SCHEDULE OF GRANT AWARD EXPENDED  
LOUISIANA BAR FOUNDATION - IOLTA GRANT  
Year Ending December 31, 2004

Grant award	<u>\$ 121,339</u>
Direct expenses:	
Salaries and wages -	
Lawyers	\$ 30,625
Non-lawyers	56,826
Employee benefits	25,633
Office supplies and expenses	127
Equipment maintenance	138
Travel and training	1,538
Telephone	16
Membership fees	265
Access to justice	4,515
Staff travel and parking	3,510
Audit fees	1,800
Library maintenance	<u>46</u>
Total expenses	<u>\$ 125,039</u>
Grant award net of direct expenses	<u>\$ (3,700)</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2004

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Legal Services Corporation:		
Basic Field - General	09.619010	\$ 1,337,069
U.S. Department of Health and Human Services, Administration on Aging:		
Passed Through Local Councils on Aging -		
Special Programs for the Aging - Title III B - Grants for Supportive Services and Senior Citizens	93.044	\$ 36,303
Passed Through Southeast Louisiana Legal Service -		
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	93.048	4,450
U.S. Department of Health and Human Services:		
Passed Through State of Louisiana Department of Social Services -		
Temporary Assistance for Needy Families (TANF)	93.558	<u>26,440</u>
Total Federal Awards		<u>\$ 1,404,262</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of Federal Awards includes the Federal grant activity of Capital Area Legal Services Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



## BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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Lawrence A. Cramer, CPA\* 1999

Ralph Friend, CPA\* 2002

Eugene C. Gilder, CPA\* 2004

### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

We have audited the financial statements of Capital Area Legal Services Corporation (a nonprofit organization) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation.

### Compliance

As part of obtaining reasonable assurance about whether Capital Area Legal Services Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

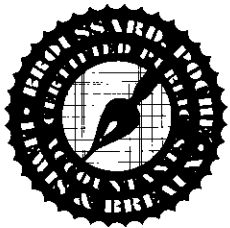
relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Legislative Auditor, Federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Broussard, Patel, Lewis & Breau LLP*

Lafayette, Louisiana  
March 3, 2005





## BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.

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### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

### Compliance

We have audited the compliance of Capital Area Legal Services Corporation (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation, that are applicable to each of its major Federal programs for the year ended December 31, 2004. Capital Area Legal Services Corporation's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on Capital Area Legal Services Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of the *Audit Guide for Recipients and Auditors* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Capital Area Legal Services Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Capital Area Legal Services Corporation's compliance with those requirements.

In our opinion, Capital Area Legal Services Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item #2004-1.

#### Internal Control Over Compliance

The management of Capital Area Legal Services Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Legislative Auditor, Federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Broussard, Poché, Lewis & Breaux LLP*

Lafayette, Louisiana  
March 3, 2005

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2004

We have audited the financial statements of Capital Area Legal Services Corporation as of and for the year ended December 31, 2004, and have issued our report thereon dated March 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of Legal Services Corporation's *Accounting Guide for LSC Recipients and Compliance Supplement for Audits of LSC Recipients*. Our audit of the financial statements as of December 31, 2004, resulted in an unqualified opinion.

**Section I. Summary of Auditors' Reports**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Reportable Conditions ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards

Internal Control

Material Weaknesses ☐ Yes ☒ No Reportable Conditions ☐ Yes ☒ No

Type of Opinion on Compliance  
For Major Programs

Unqualified ☒ Qualified ☐  
Disclaimer ☐ Adverse ☐

Are their findings required to be reported in accordance with Circular A-133,  
Section 510(a)? ☒ Yes ☐ No

c. Identification of Major Programs

CDFA Number

Name of Federal Program

09.619010

Basic Field - General

Dollar threshold used to distinguish between Type A and Type B Programs:  
\$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?  
☐ Yes ☒ No

**Section II. Financial Statement Findings**

None.

**Section III. Federal Award Findings and Questioned Costs**

**#2004-1 Reporting (LSC Form D-1(a))**

Finding: In reviewing the report form D-1(a), "Actual Expenses - Basic Field - General", it was noted that actual LSC expenses were allocated to agree exactly to the LSC revenue and support and did not accurately reflect actual expenses associated with this program.

Questioned Costs: None.

Recommendation: It is our recommendation that an amended form D-1(a) be filed with LSC reflecting actual expenses associated with this program.

Response: Management agrees with this recommendation and will submit an amended form D-1(a) to LSC.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended December 31, 2004

Section I. Internal Control and Compliance Material to the Financial Statements

**#2003-1 Controls Over Payroll**

Recommendation: Although none of the inaccuracies described above resulted in incorrect pay to any employee, it feasibly could have with these kinds of errors. We recommend the following relating to the above inaccuracies:

- All timesheets should be reviewed for clerical accuracy to ensure proper pay.
- All timesheets should be filled out completely and accurately and reviewed by management for missing or incorrect information.

Current Status: Resolved - While performing audit procedures relating to payroll checks selected for testing in our examination of controls over disbursements in the current year, no inaccuracies were noted.

Section II. Internal Control and Compliance Material to Federal Awards

**#2003-2 Subgrant Agreement - Monitoring**

Recommendation: We recommend that the Corporation continue working with the Baton Rouge Bar Foundation in an effort to obtain all reports and internal status reports required by the subgrant agreement.

Current Status: Resolved - The Corporation has fully implemented internal monitoring procedures within the current fiscal year. No exceptions noted during examination of quarterly reviews of Baton Rouge Bar Case Management.

**#2003-3 LSC Reporting Requirements**

Recommendation: We recommend that the reason for this error be researched and a revised Semiannual Case Disclosure Report for the period July 1 - December 31, 2003, be submitted to LSC that includes the two cases referred to above.

Current Status: Resolved - While performing audit procedures relative to the review of sampled files, we did not note any inaccuracies reported in the prior year.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2003.



LAW OFFICES OF  
**CAPITAL AREA LEGAL SERVICES CORPORATION**

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Tel. (225) 387-5173  
Fax (225) 387-4802 (Administration)

JAMES A. WAYNE, SR., Executive Director

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
Year Ended December 31, 2004

**Section I. Internal Control and Compliance Material to the Financial Statements**

N/A.

**Section II. Internal Control and Compliance Material to Federal Awards**

**#2004-1 Reporting (LSC Form D-1(a))**

**Finding:** In reviewing the report form D-1(a), "Actual Expenses - Basic Field - General", it was noted that actual LSC expenses were allocated to agree exactly to the LSC revenue and support and did not accurately reflect actual expenses associated with this program.

**Questioned Costs:** None.

**Recommendation:** It is our recommendation that an amended form D-1(a) be filed with LSC reflecting actual expenses associated with this program.

**Response:** Management agrees with this recommendation and will submit an amended form D-1(a) to LSC.

**Section III. Management Letter**

There were no matters reported in a separate management letter for the year ended December 31, 2004.

Responsible party:   
Executive Director